

GOVERNMENT OF INDIA  
MINISTRY OF AGRICULTURE AND FARMERS WELFARE  
DEPARTMENT OF AGRICULTURE, COOPERATION AND FARMERS WELFARE

**LOK SABHA**  
**UNSTARRED QUESTION NO.2225**  
TO BE ANSWERED ON THE 31<sup>ST</sup> JULY, 2018

**INTEREST FREE LOANS**

2225. SHRI BODHSINGH BHAGAT:

Will the Minister of AGRICULTURE AND FARMERS WELFARE कृषि एवं किसान कल्याण मंत्री be pleased to state:

- (a) whether the Government proposes to provide interest free loans to the farmers up to a certain limit;
- (b) if so, the details thereof; and
- (c) if not, the reasons therefor and the reaction of the Government thereto?

**ANSWER**

MINISTER OF STATE IN THE MINISTRY OF AGRICULTURE AND FARMERS WELFARE

कृषि एवं किसान कल्याण मंत्रालय में राज्य मंत्री (SHRI GAJENDRA SINGH SEKHAWAT)

(a) to (c): No, Madam. The interest rates on advances including loans for agriculture and allied activities have been progressively deregulated by Reserve Bank of India (RBI) w.e.f. 18<sup>th</sup> October, 1994. Banks are therefore, free to determine the lending rates on advances as per their Board approved policy subject to RBI (Interest Rate on Advances) Directions 2016 (DBR. Dir. No.85 / 13.03.00/ 2015-16 dated March 3, 2016 and updated as on March 29, 2016). In terms of these directions all rupee loans sanctioned, and credit limits renewed after July 1, 2010 shall be priced with reference to the Base Rate. Further, all rupee loans sanctioned w.e.f. April 1, 2016 are required to be priced with reference to the Marginal Cost of Funds based Lending Rate (MCLR). However, there are certain exempted categories of loans including those where subvention is provided by Government of India (Gol).

However, with a view to encourage crop production and productivity and also ensuring availability of short term crop loans at a reduced interest rate the Gol has been implementing the Interest Subvention Scheme (ISS) under which short term crop loans are provided to farmers at subvented interest rate. In 2017-18, under the Scheme, the Government provided interest subvention @ 2% per annum on short term crop loans upto Rs.3.00 lakh for a period of one year and further provided a Prompt Repayment Incentive (PRI) @ 3% per annum to farmers. Thus, against the normal lending rate of 9%, the short term crop loans were made available to such prompt payee farmers at an effective interest rate of 4% per annum. In 2018-19, the Scheme is continuing on interim basis on the same terms and conditions.

Further, in addition to interest subvention provided by Gol under ISS, some State Governments also provide interest subsidy make available short term crop loans to farmers at zero rate of interest.